

105TH CONGRESS
1ST SESSION

H. R. 2645

To make technical corrections related to the Taxpayer Relief Act of 1997
and certain other tax legislation.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 9, 1997

Mr. ARCHER (for himself and Mr. RANGEL) introduced the following bill;
which was referred to the Committee on Ways and Means

A BILL

To make technical corrections related to the Taxpayer Relief
Act of 1997 and certain other tax legislation.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Tax Technical Correc-
5 tions Act of 1997”.

6 **SEC. 2. DEFINITIONS.**

7 For purposes of this Act—

8 (1) 1986 CODE.—The term “1986 Code”
9 means the Internal Revenue Code of 1986.

1 (2) 1997 ACT.—The term “1997 Act” means
2 the Taxpayer Relief Act of 1997.

3 **SEC. 3. AMENDMENTS RELATED TO TITLE I OF 1997 ACT.**

4 (a) AMENDMENTS RELATED TO SECTION 101(a) OF
5 1997 ACT.—

6 (1) Subsection (d) of section 24 of the 1986
7 Code is amended—

8 (A) by striking paragraphs (3) and (4),

9 (B) by redesignating paragraph (5) as
10 paragraph (3), and

11 (C) by striking paragraphs (1) and (2) and
12 inserting the following new paragraphs:

13 “(1) IN GENERAL.—In the case of a taxpayer
14 with 3 or more qualifying children for any taxable
15 year, the aggregate credits allowed under subpart C
16 shall be increased by the lesser of—

17 “(A) the credit which would be allowed
18 under this section without regard to this sub-
19 section and the limitation under section 26(a),
20 or

21 “(B) the amount by which the aggregate
22 amount of credits allowed by this subpart (with-
23 out regard to this subsection) would increase if
24 the limitation imposed by section 26(a) were in-
25 creased by the excess (if any) of—

1 “(i) the taxpayer’s social security
2 taxes for the taxable year, over

3 “(ii) the credit allowed under section
4 32 for the taxable year.

5 “(2) REDUCTION OF CREDIT TO TAXPAYER
6 SUBJECT TO ALTERNATIVE MINIMUM TAX.—The
7 credit determined under this subsection for the tax-
8 able year shall be reduced by the excess (if any) of—

9 “(A) the amount of tax imposed by section
10 55 (relating to alternative minimum tax) with
11 respect to such taxpayer for such taxable year,
12 over

13 “(B) the amount of the reduction under
14 section 32(h) with respect to such taxpayer for
15 such taxable year.”

16 (2) Paragraph (3) of section 24(d) of the 1986
17 Code (as redesignated by paragraph (1)) is amended
18 by striking “paragraph (3)” and inserting “para-
19 graph (1)”.

20 (b) AMENDMENTS RELATED TO SECTION 101(b) OF
21 1997 ACT.—

22 (1) The subsection (m) of section 32 of the
23 1986 Code added by section 101(b) of the 1997 Act
24 is amended to read as follows:

25 “(n) SUPPLEMENTAL CHILD CREDIT.—

1 “(1) IN GENERAL.—In the case of a taxpayer
 2 with respect to whom a credit is allowed under sec-
 3 tion 24 for the taxable year, the credit otherwise al-
 4 lowable under this section shall be increased by the
 5 lesser of—

6 “(A) the credit which would be allowed
 7 under section 24 without regard to this sub-
 8 section and the limitation under section 26(a),
 9 or

10 “(B) the amount by which the aggregate
 11 amount of credits allowed by subpart A (with-
 12 out regard to this subsection) would be reduced
 13 if the limitation imposed by section 26(a) were
 14 reduced by the excess (if any) of—

15 “(i) the credit allowed by this section
 16 (without regard to this subsection) for the
 17 taxable year, over

18 “(ii) the taxpayer’s social security
 19 taxes (as defined in section 24(d)) for the
 20 taxable year.

21 The credit determined under this subsection shall be
 22 allowed without regard to any other provision of this
 23 section, including subsection (d).

24 “(2) COORDINATION WITH OTHER CREDITS.—

“(A) IN GENERAL.—The amount of the credit under this subsection shall reduce the amount of the credit otherwise allowable under section 24, but the amount of the credit under this subsection (and such reduction) shall not otherwise be taken into account in determining the amount of any other credit allowable under this part.

“(B) TREATMENT OF CREDIT UNDER SECTION 24(d).—For purposes of this subsection, the credit determined under section 24(d) shall be treated as not allowed under section 24.”

SEC. 4. AMENDMENTS RELATED TO TITLE II OF 1997 ACT.

(a) AMENDMENTS RELATED TO SECTION 201 OF 1997 ACT.—

(1) Subparagraph (B) of section 25A(h)(1) of the 1986 Code is amended by striking “\$1,000” each place it appears and inserting “\$100”.

(2) The item relating to section 25A in the table of sections for subpart A of part IV of subchapter A of chapter 1 of the 1986 Code is amended to read as follows:

“Sec. 25A. Hope and Lifetime Learning credits.”

(3) Subsection (a) of section 6050S of the 1986 Code is amended to read as follows:

“(a) IN GENERAL.—Any person—

1 “(1) which is an eligible educational institu-
2 tion—

3 “(A) which receives payments for qualified
4 tuition and related expenses with respect to any
5 individual for any calendar year, or

6 “(B) which makes reimbursements or re-
7 funds (or similar amounts) to any individual of
8 qualified tuition and related expenses,

9 “(2) which is engaged in a trade or business of
10 making payments to any individual under an insur-
11 ance arrangement as reimbursements or refunds (or
12 similar amounts) of qualified tuition and related ex-
13 penses, or

14 “(3) except as provided in regulations, any per-
15 son which is engaged in a trade or business and, in
16 the course of which, receives from any individual in-
17 terest aggregating \$600 or more for any calendar
18 year on 1 or more qualified education loans,

19 shall make the return described in subsection (b) with re-
20 spect to the individual at such time as the Secretary may
21 by regulations prescribe.”

22 (4) Subparagraph (A) of section 201(c)(2) of
23 the 1997 Act is amended to read as follows:

24 “(A) Subparagraph (B) of section
25 6724(d)(1) (relating to definitions) is amended

1 by redesignating clauses (x) through (xv) as
 2 clauses (xi) through (xvi), respectively, and by
 3 inserting after clause (ix) the following new
 4 clause:

5 “‘(x) section 6050S (relating to re-
 6 turns relating to payments for qualified
 7 tuition and related expenses),’”.

8 (b) AMENDMENTS RELATED TO SECTION 211 OF
 9 1997 ACT.—

10 (1) Paragraph (3) of section 135(c) of the 1986
 11 Code is amended to read as follows:

12 “(3) ELIGIBLE EDUCATIONAL INSTITUTION.—
 13 The term ‘eligible educational institution’ has the
 14 meaning given such term by section 529(e)(5).”.

15 (2) Subparagraph (A) of section 529(c)(3) of
 16 the 1986 Code is amended by striking “section
 17 72(b)” and inserting “section 72”.

18 (c) AMENDMENTS RELATED TO SECTION 213 OF
 19 1997 ACT.—

20 (1)(A) Section 530(b)(1)(E) of the 1986 Code
 21 (defining education individual retirement account) is
 22 amended to read as follows:

23 “(E) Any balance to the credit of the des-
 24 ignated beneficiary on the date on which the
 25 beneficiary attains age 30 shall be distributed

1 within 30 days after such date to the bene-
 2 ficiary or, if the beneficiary dies before attain-
 3 ing age 30, shall be distributed within 30 days
 4 after the date of death to the estate of such
 5 beneficiary.”

6 (B) Subsection (d) of section 530 of the 1986
 7 Code is amended by adding at the end the following
 8 new paragraph:

9 “(8) DEEMED DISTRIBUTION ON REQUIRED
 10 DISTRIBUTION DATE.—In any case in which a dis-
 11 tribution is required under subsection (b)(1)(E), any
 12 balance to the credit of a designated beneficiary as
 13 of the close of the 30-day period referred to in such
 14 subsection for making such distribution shall be
 15 deemed distributed at the close of such period.”

16 (2)(A) Paragraph (1) of section 530(d) of the
 17 1986 Code is amended by striking “section 72(b)”
 18 and inserting “section 72”.

19 (B) Subsection (e) of section 72 of the 1986
 20 Code is amended by inserting after paragraph (8)
 21 the following new paragraph:

22 “(9) EXTENSION OF PARAGRAPH (2)(B) TO
 23 QUALIFIED STATE TUITION PROGRAMS AND EDU-
 24 CATIONAL INDIVIDUAL RETIREMENT ACCOUNTS.—
 25 Notwithstanding any other provision of this sub-

1 section, paragraph (2)(B) shall apply to amounts re-
2 ceived under a qualified State tuition program (as
3 defined in section 529(b)) or under an education in-
4 dividual retirement account (as defined in section
5 530(b)). The rule of paragraph (8)(B) shall apply
6 for purposes of this paragraph.”

7 (3) So much of section 530(d)(4)(C) of the
8 1986 Code as precedes clause (ii) thereof is amended
9 to read as follows:

10 “(C) CONTRIBUTIONS RETURNED BEFORE
11 DUE DATE OF RETURN.—Subparagraph (A)
12 shall not apply to the distribution of any con-
13 tribution made during a taxable year on behalf
14 of the designated beneficiary if—

15 “(i) such distribution is made on or
16 before the day prescribed by law (including
17 extensions of time) for filing the bene-
18 ficiary’s return of tax for the taxable year
19 or, if the beneficiary is not required to file
20 such a return, the 15th day of the 4th
21 month of the taxable year following the
22 taxable year, and”.

23 (4) Subparagraph (C) of section 135(c)(2) of
24 the 1986 Code is amended—

1 (A) by inserting “AND EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS” in the heading after “PROGRAM”, and

2
3
4 (B) by striking “section 529(c)(3)(A)” and inserting “section 72”.

5
6 (5) Subparagraph (A) of section 4973(e)(1) of the 1986 Code is amended by inserting before the
7 comma “(or, if less, the sum of the maximum
8 amounts permitted to be contributed under section
9 530(c) by the contributors to such accounts for such
10 year)”.

11
12 (d) AMENDMENT RELATED TO SECTION 224 OF
13 1997 ACT.—Section 170(e)(6)(F) of the 1986 Code (relating to termination) is amended by striking “1999” and
14 inserting “2000”.
15

16 (e) AMENDMENTS RELATED TO SECTION 225 OF
17 1997 ACT.—

18 (1) The last sentence of section 108(f)(2) of the
19 1986 Code is amended to read as follows:

20 “The term ‘student loan’ includes any loan made by
21 an educational organization described in section
22 170(b)(1)(A)(ii) or by an organization exempt from
23 tax under section 501(a) to refinance a loan to an
24 individual to assist the individual in attending any
25 such educational organization but only if the refi-

1 nancing loan is pursuant to a program of the refi-
 2 nancing organization which is designed as described
 3 in subparagraph (D)(ii).”

4 (2) Section 108(f)(3) of the 1986 Code is
 5 amended by striking “(or by an organization de-
 6 scribed in paragraph (2)(E) from funds provided by
 7 an organization described in paragraph (2)(D))”.

8 (f) AMENDMENTS RELATED TO SECTION 226 OF
 9 1997 ACT.—

10 (1) Section 226(a) of the 1997 Act is amended
 11 by striking “section 1397E” and inserting “section
 12 1397D”.

13 (2) Section 1397E(d)(4)(B) of the 1986 Code
 14 is amended by striking “local education agency as
 15 defined” and inserting “local educational agency as
 16 defined”.

17 **SEC. 5. AMENDMENTS RELATED TO TITLE III OF 1997 ACT.**

18 (a) AMENDMENTS RELATED TO SECTION 301 OF
 19 1997 ACT.—Section 219(g) of the 1986 Code is amend-
 20 ed—

21 (1) by inserting “or the individual’s spouse”
 22 after “individual” in paragraph (1), and

23 (2) by striking paragraph (7) and inserting:

24 “(7) SPECIAL RULE FOR SPOUSES WHO ARE
 25 NOT ACTIVE PARTICIPANTS.—If this subsection ap-

1 plies to an individual for any taxable year solely be-
2 cause their spouse is an active participant, then, in
3 applying this subsection to the individual (but not
4 their spouse)—

5 “(A) the applicable dollar amount under
6 paragraph (3)(B)(i) shall be \$150,000, and

7 “(B) the amount applicable under para-
8 graph (2)(A)(ii) shall be \$10,000.”

9 (b) AMENDMENTS RELATED TO SECTION 302 OF
10 1997 ACT.—

11 (1) Section 408A(c)(3)(A) of the 1986 Code is
12 amended by striking “shall be reduced” and insert-
13 ing “shall not exceed an amount equal to the
14 amount determined under paragraph (2)(A) for such
15 taxable year, reduced”.

16 (2) Section 408A(c)(3) of the 1986 Code (relat-
17 ing to limits based on modified adjusted gross in-
18 come) is amended—

19 (A) by inserting “or a married individual
20 filing a separate return” after “joint return” in
21 subparagraph (A)(ii), and

22 (B) by striking “and the deduction under
23 section 219 shall be taken into account” in sub-
24 paragraph (C)(i).

1 (3) Section 408A(d)(2) of the 1986 Code (de-
2 fining qualified distribution) is amended by striking
3 subparagraph (B) and inserting the following:

4 “(B) DISTRIBUTIONS WITHIN NONEXCLU-
5 SION PERIOD.—A payment or distribution from
6 a Roth IRA shall not be treated as a qualified
7 distribution under subparagraph (A) if such
8 payment or distribution is made before the ex-
9 clusion date for the Roth IRA.

10 “(C) EXCLUSION DATE.—For purposes of
11 this section, the exclusion date for any Roth
12 IRA is the first day of the taxable year imme-
13 diately following the 5-taxable year period be-
14 ginning with—

15 “(i) the first taxable year for which a
16 contribution to any Roth IRA maintained
17 for the benefit of the individual was made,
18 or

19 “(ii) in the case of a Roth IRA to
20 which 1 or more qualified rollover con-
21 tributions were made—

22 “(I) from an individual retire-
23 ment plan other than a Roth IRA, or

24 “(II) from another Roth IRA to
25 the extent such contributions are

1 properly allocable to contributions de-
2 scribed in subclause (I),
3 the most recent taxable year for which any
4 such qualified rollover contribution was
5 made.”

6 (4) Section 408A(d)(3) of the 1986 Code (relat-
7 ing to rollovers from IRAs other than Roth IRAs)
8 is amended by adding at the end the following:

9 “(F) SPECIAL RULE FOR APPLYING SEC-
10 TION 72.—

11 “(i) IN GENERAL.—If—

12 “(I) any distribution from a Roth
13 IRA is made before the exclusion
14 date, and

15 “(II) any portion of such dis-
16 tribution is properly allocable to a
17 qualified rollover contribution de-
18 scribed in paragraph (2)(C)(ii),

19 then section 72(t) shall be applied as if
20 such portion were includible in gross in-
21 come.

22 “(ii) LIMITATION.—Clause (i) shall
23 apply only to the extent of the amount in-
24 cludible in gross income under subpara-

graph (A)(i) by reason of the qualified rollover contribution.

“(G) SPECIAL RULES FOR CONTRIBUTIONS TO WHICH 4-YEAR AVERAGING APPLIES.—In the case of a qualified rollover contribution to a Roth IRA of a distribution to which subparagraph (A)(iii) applied, the following rules shall apply:

“(i) DEATH OF DISTRIBUTE.—

“(I) IN GENERAL.—If the individual required to include amounts in gross income under such subparagraph dies before all of such amounts are included, all remaining amounts shall be included in gross income for the taxable year which includes the date of death.

“(II) SPECIAL RULE FOR SURVIVING SPOUSE.—If the spouse of the individual described in subclause (I) acquires the Roth IRA to which such qualified rollover contribution is properly allocable, the spouse may elect to include the remaining amounts described in subclause (I) in the

1 spouse's gross income in the taxable
2 years of the spouse ending with or
3 within the taxable years of such indi-
4 vidual in which such amounts would
5 otherwise have been includible.

6 “(ii) ADDITIONAL TAX FOR EARLY
7 DISTRIBUTION.—

8 “(I) IN GENERAL.—If any dis-
9 tribution from a Roth IRA is made
10 before the exclusion date, and any
11 portion of such distribution is prop-
12 erly allocable to such qualified rollover
13 contribution, the distributee's tax
14 under this chapter for the taxable
15 year in which the amount is received
16 shall be increased by 10 percent of the
17 amount of such portion not in excess
18 of the amount includible in gross in-
19 come under subparagraph (A)(i) by
20 reason of such qualified rollover con-
21 tribution.

22 “(II) TREATMENT OF TAX.—For
23 purposes of this title, any tax imposed
24 by subclause (I) shall be treated as a
25 tax imposed by section 72(t) and shall

1 be in addition to any other tax im-
2 posed by such section.”

3 (5)(A) Section 408A(d)(4) of the 1986 Code is
4 amended to read as follows:

5 “(4) AGGREGATION AND ORDERING RULES.—

6 “(A) AGGREGATION RULES.—Section
7 408(d)(2) shall be applied separately with re-
8 spect to—

9 “(i) Roth IRAs and other individual
10 retirement plans,

11 “(ii) Roth IRAs described in para-
12 graph (2)(C)(ii) and Roth IRAs not so de-
13 scribed, and

14 “(iii) Roth IRAs described in para-
15 graph (2)(C)(ii) with different exclusion
16 dates.

17 “(B) ORDERING RULES.—For purposes of
18 applying section 72 to any distribution from a
19 Roth IRA which is not a qualified distribution,
20 such distribution shall be treated as made—

21 “(i) from contributions to the extent
22 that the amount of such distribution, when
23 added to all previous distributions from the
24 Roth IRA, does not exceed the aggregate
25 contributions to the Roth IRA, and

1 “(ii) from such contributions in the
2 following order:

3 “(I) Qualified rollover contribu-
4 tions to the extent includible in gross
5 income in the manner described in
6 paragraph (3)(A)(iii).

7 “(II) Qualified rollover contribu-
8 tions not described in subclause (I) to
9 the extent includible in gross income
10 under paragraph (3)(A).

11 “(III) Contributions not de-
12 scribed in subclause (I) or (II).

13 Such rules shall also apply in determining the
14 character of qualified rollover contributions
15 from one Roth IRA to another Roth IRA.”

16 (B) Section 408A(d)(1) of the 1986 Code is
17 amended to read as follows:

18 “(1) EXCLUSION.—Any qualified distribution
19 from a Roth IRA shall not be includible in gross in-
20 come.”

21 (6)(A) Section 408A(d) of the 1986 Code (re-
22 lating to distribution rules) is amended by adding at
23 the end the following:

24 “(6) TAXPAYER MAY MAKE ADJUSTMENTS BE-
25 FORE DUE DATE.—

1 “(A) IN GENERAL.—Except as provided by
2 the Secretary, if, on or before the due date for
3 any taxable year, a taxpayer transfers in a
4 trustee-to-trustee transfer any contribution to
5 an individual retirement plan made during such
6 taxable year from such plan to any other indi-
7 vidual retirement plan, then, for purposes of
8 this chapter, such contribution shall be treated
9 as having been made to the transferee plan
10 (and not the transferor plan).

11 “(B) SPECIAL RULES.—

12 “(i) TRANSFER OF EARNINGS.—Sub-
13 paragraph (A) shall not apply to the trans-
14 fer of any contribution unless such transfer
15 is accompanied by any net income allocable
16 to such contribution.

17 “(ii) NO DEDUCTION.—Subparagraph
18 (A) shall apply to the transfer of any con-
19 tribution only to the extent no deduction
20 was allowed with respect to the contribu-
21 tion to the transferor plan.

22 “(C) DUE DATE.—For purposes of this
23 paragraph, the due date for any taxable year is
24 the last date for filing the return of tax for
25 such taxable year (including extensions).”

1 (B) Section 408A(d)(3) of the 1986 Code, as
2 amended by this subsection, is amended by striking
3 subparagraph (D) and by redesignating subpara-
4 graphs (E), (F), and (G) as subparagraphs (D), (E),
5 and (F), respectively.

6 (7) Section 302(b) of the 1997 Act is amended
7 by striking “Section 4973(b)” and inserting “Sec-
8 tion 4973”.

9 (8) Section 408A of the 1986 Code is amended
10 by adding at the end the following new subsection:

11 “(f) INDIVIDUAL RETIREMENT PLAN.—For purposes
12 of this section, except as provided by the Secretary, the
13 term ‘individual retirement plan’ shall not include a sim-
14 plified employee pension or a simple retirement account.”

15 (c) AMENDMENTS RELATED TO SECTION 303 OF
16 1997 ACT.—

17 (1) Section 72(t)(8)(E) of the 1986 Code is
18 amended—

19 (A) by striking “120 days” and inserting
20 “120th day”, and

21 (B) by striking “60 days” and inserting
22 “60th day”.

23 (2)(A) Section 402(c) of the 1986 Code is
24 amended by adding at the end the following:

1 “(11) DENIAL OF ROLLOVER TREATMENT FOR
2 TRANSFERS OF HARDSHIP DISTRIBUTIONS TO INDIVIDUAL RETIREMENT PLANS.—This subsection shall
3 not apply to the transfer of any hardship distribution described in section 401(k)(2)(B)(i)(IV) from a
4 qualified cash or deferred arrangement to an eligible retirement plan described in clause (i) or (ii) of
5 paragraph (8)(B).”

6 (B) The amendment made by this paragraph
7 shall apply to distributions made after December 31,
8 1997.

9 (d) AMENDMENTS RELATED TO SECTION 311 OF
10 1997 ACT.—

11 (1) Subsection (h) of section 1 of the 1986
12 Code (relating to maximum capital gains rate) is
13 amended to read as follows:

14 “(h) MAXIMUM CAPITAL GAINS RATE.—

15 “(1) IN GENERAL.—If a taxpayer has a net
16 capital gain for any taxable year, the tax imposed by
17 this section for such taxable year shall not exceed
18 the sum of—

19 “(A) a tax computed at the rates and in
20 the same manner as if this subsection had not
21 been enacted on the greater of—

1 “(i) taxable income reduced by the net
2 capital gain, or

3 “(ii) the lesser of—

4 “(I) the amount of taxable in-
5 come taxed at a rate below 28 per-
6 cent, or

7 “(II) taxable income reduced by
8 the adjusted net capital gain,

9 “(B) 10 percent of so much of the ad-
10 justed net capital gain (or, if less, taxable in-
11 come) as does not exceed the excess (if any)
12 of—

13 “(i) the amount of taxable income
14 which would (without regard to this para-
15 graph) be taxed at a rate below 28 per-
16 cent, over

17 “(ii) the taxable income reduced by
18 the adjusted net capital gain,

19 “(C) 20 percent of the adjusted net capital
20 gain (or, if less, taxable income) in excess of the
21 amount on which a tax is determined under
22 subparagraph (B),

23 “(D) 25 percent of the excess (if any) of—

24 “(i) the unrecaptured section 1250
25 gain (or, if less, the net capital gain), over

1 “(ii) the excess (if any) of—

2 “(I) the sum of the amount on
3 which tax is determined under sub-
4 paragraph (A) plus the net capital
5 gain, over

6 “(II) taxable income, and

7 “(E) 28 percent of the amount of taxable
8 income in excess of the sum of the amounts on
9 which tax is determined under the preceding
10 subparagraphs of this paragraph.

11 “(2) REDUCED CAPITAL GAIN RATES FOR
12 QUALIFIED 5-YEAR GAIN.—

13 “(A) REDUCTION IN 10-PERCENT RATE.—

14 In the case of any taxable year beginning after
15 December 31, 2000, the rate under paragraph
16 (1)(B) shall be 8 percent with respect to so
17 much of the amount to which the 10-percent
18 rate would otherwise apply as does not exceed
19 qualified 5-year gain, and 10 percent with re-
20 spect to the remainder of such amount.

21 “(B) REDUCTION IN 20-PERCENT RATE.—

22 The rate under paragraph (1)(C) shall be 18
23 percent with respect to so much of the amount
24 to which the 20-percent rate would otherwise
25 apply as does not exceed the lesser of—

1 “(i) the excess of qualified 5-year gain
 2 over the amount of such gain taken into
 3 account under subparagraph (A) of this
 4 paragraph, or

5 “(ii) the amount of qualified 5-year
 6 gain (determined by taking into account
 7 only property the holding period for which
 8 begins after December 31, 2000),
 9 and 20 percent with respect to the remainder of
 10 such amount. For purposes of determining
 11 under the preceding sentence whether the hold-
 12 ing period of property begins after December
 13 31, 2000, the holding period of property ac-
 14 quired pursuant to the exercise of an option (or
 15 other right or obligation to acquire property)
 16 shall include the period such option (or other
 17 right or obligation) was held.

18 “(3) NET CAPITAL GAIN TAKEN INTO ACCOUNT
 19 AS INVESTMENT INCOME.—For purposes of this sub-
 20 section, the net capital gain for any taxable year
 21 shall be reduced (but not below zero) by the amount
 22 which the taxpayer takes into account as investment
 23 income under section 163(d)(4)(B)(iii).

24 “(4) ADJUSTED NET CAPITAL GAIN.—For pur-
 25 poses of this subsection, the term ‘adjusted net cap-

1 ital gain’ means net capital gain reduced (but not
2 below zero) by the sum of—

3 “(A) unrecaptured section 1250 gain, and

4 “(B) 28 percent rate gain.

5 “(5) 28 PERCENT RATE GAIN.—For purposes of
6 this subsection—

7 “(A) IN GENERAL.—The term ‘28 percent
8 rate gain’ means the excess (if any) of—

9 “(i) the sum of—

10 “(I) the aggregate long-term cap-
11 ital gain from property held for more
12 than 1 year but not more than 18
13 months,

14 “(II) collectibles gain, and

15 “(III) section 1202 gain, over

16 “(ii) the sum of—

17 “(I) the aggregate long-term cap-
18 ital loss (not described in subclause
19 (IV)) from property referred to in
20 clause (i)(I),

21 “(II) collectibles loss,

22 “(III) the net short-term capital
23 loss, and

1 “(IV) the amount of long-term
2 capital loss carried under section
3 1212(b)(1)(B) to the taxable year.

4 “(B) SPECIAL RULES.—

5 “(i) SHORT SALES AND OPTIONS.—
6 Rules similar to the rules of subsections
7 (b) and (d) of section 1233 shall apply to
8 substantially identical property, and sec-
9 tion 1092(f) with respect to stock, held for
10 more than 1 year but not more than 18
11 months.

12 “(ii) SECTION 1256 CONTRACTS.—
13 Amounts treated as long-term capital gain
14 or loss under section 1256(a)(3) shall be
15 treated as attributable to property held for
16 more than 18 months.

17 “(6) COLLECTIBLES GAIN AND LOSS.—For pur-
18 poses of this subsection—

19 “(A) IN GENERAL.—The terms ‘collectibles
20 gain’ and ‘collectibles loss’ mean gain or loss
21 (respectively) from the sale or exchange of a
22 collectible (as defined in section 408(m) without
23 regard to paragraph (3) thereof) which is a
24 capital asset held for more than 18 months but
25 only to the extent such gain is taken into ac-

count in computing gross income and such loss is taken into account in computing taxable income.

“(B) PARTNERSHIPS, ETC.—For purposes of subparagraph (A), any gain from the sale of an interest in a partnership, S corporation, or trust which is attributable to unrealized appreciation in the value of collectibles shall be treated as gain from the sale or exchange of a collectible. Rules similar to the rules of section 751 shall apply for purposes of the preceding sentence.

“(7) UNRECAPTURED SECTION 1250 GAIN.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘unrecaptured section 1250 gain’ means the excess (if any) of—

“(i) the amount of long-term capital gain (not otherwise treated as ordinary income) which would be treated as ordinary income if—

“(I) section 1250(b)(1) included all depreciation and the applicable percentage under section 1250(a) were 100 percent, and

1 “(II) only gain from property
 2 held for more than 18 months were
 3 taken into account, over

4 “(ii) the excess (if any) of—

5 “(I) the amount described in
 6 paragraph (5)(A)(ii), over

7 “(II) the amount described in
 8 paragraph (5)(A)(i).

9 “(B) LIMITATION WITH RESPECT TO SEC-
 10 TION 1231 PROPERTY.—The amount described
 11 in subparagraph (A)(i) from sales, exchanges,
 12 and conversions described in section
 13 1231(a)(3)(A) for any taxable year shall not ex-
 14 ceed the net section 1231 gain (as defined in
 15 section 1231(c)(3)) for such year.

16 “(8) SECTION 1202 GAIN.—For purposes of this
 17 subsection, the term ‘section 1202 gain’ means an
 18 amount equal to the gain excluded from gross in-
 19 come under section 1202(a).

20 “(9) QUALIFIED 5-YEAR GAIN.—For purposes
 21 of this subsection, the term ‘qualified 5-year gain’
 22 means the amount of long-term capital gain which
 23 would be computed for the taxable year if only gains
 24 from the sale or exchange of property held by the
 25 taxpayer for more than 5 years were taken into ac-

count. The determination under the preceding sentence shall be made without regard to collectibles gain, gain described in paragraph (7)(A)(i), and section 1202 gain.

“(10) COORDINATION WITH RECAPTURE OF NET ORDINARY LOSSES UNDER SECTION 1231.—If any amount is treated as ordinary income under section 1231(c), such amount shall be allocated among the separate categories of net section 1231 gain (as defined in section 1231(c)(3)) in such manner as the Secretary may by forms or regulations prescribe.

“(11) REGULATIONS.—The Secretary may prescribe such regulations as are appropriate (including regulations requiring reporting) to apply this subsection in the case of sales and exchanges by pass-thru entities and of interests in such entities.

“(12) PASS-THRU ENTITY DEFINED.—For purposes of this subsection, the term ‘pass-thru entity’ means—

“(A) a regulated investment company,

“(B) a real estate investment trust,

“(C) an S corporation,

“(D) a partnership,

“(E) an estate or trust,

“(F) a common trust fund,

1 “(G) a foreign investment company which
 2 is described in section 1246(b)(1) and for which
 3 an election is in effect under section 1247, and

4 “(H) a qualified electing fund (as defined
 5 in section 1295).

6 “(13) SPECIAL RULES FOR PERIODS DURING
 7 1997.—

8 “(A) DETERMINATION OF 28 PERCENT
 9 RATE GAIN.—In applying paragraph (5)—

10 “(i) the amount determined under
 11 subclause (I) of paragraph (5)(A)(i) shall
 12 include long-term capital gain (not other-
 13 wise described in paragraph (5)(A)(i))
 14 which is properly taken into account for
 15 the portion of the taxable year before May
 16 7, 1997,

17 “(ii) the amounts determined under
 18 subclause (I) of paragraph (5)(A)(ii) shall
 19 include long-term capital loss (not other-
 20 wise described in paragraph (5)(A)(ii))
 21 which is properly taken into account for
 22 the portion of the taxable year before May
 23 7, 1997, and

24 “(iii) clauses (i)(I) and (ii)(I) of para-
 25 graph (5)(A) shall be applied by not taking

1 into account any gain and loss on property
 2 held for more than 1 year but not more
 3 than 18 months which is properly taken
 4 into account for the portion of the taxable
 5 year after May 6, 1997, and before July
 6 29, 1997.

7 “(B) OTHER SPECIAL RULES.—

8 “(i) DETERMINATION OF
 9 UNRECAPTURED SECTION 1250 GAIN NOT
 10 TO INCLUDE PRE-MAY 7, 1997 GAIN.—The
 11 amount determined under paragraph
 12 (7)(A)(i) shall not include gain properly
 13 taken into account for the portion of the
 14 taxable year before May 7, 1997.

15 “(ii) OTHER TRANSITIONAL RULES
 16 FOR 18-MONTH HOLDING PERIOD.—Para-
 17 graphs (6)(A) and (7)(A)(i)(II) shall be
 18 applied by substituting ‘1 year’ for ‘18
 19 months’ with respect to gain properly
 20 taken into account for the portion of the
 21 taxable year after May 6, 1997, and before
 22 July 29, 1997.

23 “(C) SPECIAL RULES FOR PASS-THRU EN-
 24 TITIES.—In applying this paragraph with re-
 25 spect to any pass-thru entity, the determination

1 of when gains and loss are properly taken into
2 account shall be made at the entity level.”

3 (2) IN GENERAL.—Paragraph (3) of section
4 55(b) of the 1986 Code is amended to read as fol-
5 lows:

6 “(3) MAXIMUM RATE OF TAX ON NET CAPITAL
7 GAIN OF NONCORPORATE TAXPAYERS.—The amount
8 determined under the first sentence of paragraph
9 (1)(A)(i) shall not exceed the sum of—

10 “(A) the amount determined under such
11 first sentence computed at the rates and in the
12 same manner as if this paragraph had not been
13 enacted on the taxable excess reduced by the
14 lesser of—

15 “(i) the net capital gain, or

16 “(ii) the sum of—

17 “(I) the adjusted net capital
18 gain, plus

19 “(II) the unrecaptured section
20 1250 gain, plus

21 “(B) 10 percent of so much of the ad-
22 justed net capital gain (or, if less, taxable ex-
23 cess) as does not exceed the amount on which
24 a tax is determined under section 1(h)(1)(B),
25 plus

1 “(C) 20 percent of the adjusted net capital
2 gain (or, if less, taxable excess) in excess of the
3 amount on which tax is determined under sub-
4 paragraph (B), plus

5 “(D) 25 percent of the amount of taxable
6 excess in excess of the sum of the amounts on
7 which tax is determined under the preceding
8 subparagraphs of this paragraph.

9 In the case of taxable years beginning after Decem-
10 ber 31, 2000, rules similar to the rules of section
11 1(h)(2) shall apply for purposes of subparagraphs
12 (B) and (C). Terms used in this paragraph which
13 are also used in section 1(h) shall have the respec-
14 tive meanings given such terms by section 1(h) but
15 computed with the adjustments under this part.”.

16 (3) Section 57(a)(7) of the 1986 Code is
17 amended by adding at the end the following new
18 sentence: “In the case of stock the holding period of
19 which begins after December 31, 2000 (determined
20 with the application of the last sentence of section
21 1(h)(2)(B)), the preceding sentence shall be applied
22 by substituting ‘28 percent’ for ‘42 percent’.”.

23 (4) Paragraphs (11) and (12) of section 1223,
24 and section 1235(a), of the 1986 Code are each

1 amended by striking “1 year” each place it appears
2 and inserting “18 months”.

3 (e) AMENDMENTS RELATED TO SECTION 312 OF
4 1997 ACT.—

5 (1) Section 121(c)(1) of the 1986 Code is
6 amended to read as follows:

7 “(1) IN GENERAL.—In the case of a sale or ex-
8 change to which this subsection applies, the owner-
9 ship and use requirements of subsection (a), and
10 subsection (b)(3), shall not apply; but the dollar lim-
11 itation under paragraph (1) or (2) of subsection (b),
12 whichever is applicable, shall be equal to—

13 “(A) the amount which bears the same
14 ratio to such limitation (determined without re-
15 gard to this paragraph) as

16 “(B)(i) the shorter of—

17 “(I) the aggregate periods, during the
18 5-year period ending on the date of such
19 sale or exchange, such property has been
20 owned and used by the taxpayer as the
21 taxpayer’s principal residence, or

22 “(II) the period after the date of the
23 most recent prior sale or exchange by the
24 taxpayer to which subsection (a) applied

1 and before the date of such sale or ex-
2 change, bears to
3 “(ii) 2 years.”.

4 (2) Section 312(d)(2) of the 1997 Act (relating
5 to sales before date of enactment) is amended by in-
6 serting “on or” before “before” each place it ap-
7 pears in the text and heading.

8 (f) AMENDMENT RELATED TO SECTION 313 OF 1997
9 ACT.—Section 1045 of the 1986 Code is amended by add-
10 ing at the end the following new subsection:

11 “(c) LIMITATION ON APPLICATION TO PARTNER-
12 SHIPS AND S CORPORATIONS.—Subsection (a) shall apply
13 to a partnership or S corporation for a taxable year only
14 if at all times during such taxable year all of the partners
15 in the partnership, or all of the shareholders of the S cor-
16 poration, are natural persons or estates.”

17 **SEC. 6. AMENDMENTS RELATED TO TITLE V OF 1997 ACT.**

18 (a) AMENDMENTS RELATED TO SECTION 501 OF
19 1997 ACT.—

20 (1) Subsection (c) of section 2631 of the 1986
21 Code is amended by striking “an individual who
22 dies” and inserting “a generation-skipping trans-
23 fer”.

24 (2) Subsection (f) of section 501 of the 1997
25 Act is amended by inserting “(other than the

1 amendment made by subsection (d))” after “this
2 section”.

3 (b) AMENDMENTS RELATED TO SECTION 502 OF
4 1997 ACT.—

5 (1) Subsection (a) of section 2033A of the 1986
6 Code is amended to read as follows:

7 “(a) EXCLUSION.—

8 “(1) IN GENERAL.—In the case of an estate of
9 a decedent to which this section applies, the value of
10 the gross estate shall not include the lesser of—

11 “(A) the adjusted value of the qualified
12 family-owned business interests of the decedent
13 otherwise includible in the estate, or

14 “(B) the exclusion limitation with respect
15 to such estate.

16 “(2) EXCLUSION LIMITATION.—

17 “(A) IN GENERAL.—The exclusion limita-
18 tion with respect to any estate is the amount of
19 reduction in the tentative tax base with respect
20 to such estate which would be required in order
21 to reduce the tax imposed by section 2001(b)
22 (determined without regard to this section) by
23 an amount equal to the maximum credit equiva-
24 lent benefit.

“(B) MAXIMUM CREDIT EQUIVALENT BENEFIT.—For purposes of subparagraph (A), the term ‘maximum credit equivalent benefit’ means the excess of—

“(i) the amount by which the tentative tax imposed by section 2001(b) (determined without regard to this section) would be reduced if the tentative tax base were reduced by \$675,000, over

“(ii) the amount by which the applicable credit amount under section 2010(c) with respect to such estate exceeds such applicable credit amount in effect for 1998.

“(C) TENTATIVE TAX BASE.—For purposes of this paragraph, the term ‘tentative tax base’ means the amount with respect to which the tax imposed by section 2001(b) would be computed without regard to this section.”

(2) Section 2033A(b)(3) of the 1986 Code is amended to read as follows:

“(3) INCLUDIBLE GIFTS OF INTERESTS.—The amount of the gifts of qualified family-owned business interests determined under this paragraph is the sum of—

1 “(A) the amount of such gifts from the de-
 2 cedent to members of the decedent’s family
 3 taken into account under section
 4 2001(b)(1)(B), plus

5 “(B) the amount of such gifts otherwise
 6 excluded under section 2503(b),
 7 to the extent such interests are continuously held by
 8 members of such family (other than the decedent’s
 9 spouse) between the date of the gift and the date of
 10 the decedent’s death.”

11 (c) AMENDMENTS RELATED TO SECTION 503 OF
 12 THE 1997 ACT.—

13 (1) Clause (iii) of section 6166(b)(7)(A) of the
 14 1986 Code is amended to read as follows:

15 “(iii) for purposes of applying section
 16 6601(j), the 2-percent portion (as defined
 17 in such section) shall be treated as being
 18 zero.”

19 (2) Clause (iii) of section 6166(b)(8)(A) of the
 20 1986 Code is amended to read as follows:

21 “(iii) 2-PERCENT INTEREST RATE NOT
 22 TO APPLY.—For purposes of applying sec-
 23 tion 6601(j), the 2-percent portion (as de-
 24 fined in such section) shall be treated as
 25 being zero.”

1 (d) AMENDMENT RELATED TO SECTION 505 OF THE
 2 1997 ACT.—Paragraphs (1) and (2) of section 7479(a)
 3 of the 1986 Code are each amended by striking “an es-
 4 tate,” and inserting “an estate (or with respect to any
 5 property included therein),”.

6 (e) AMENDMENTS RELATED TO SECTION 506 OF
 7 THE 1997 ACT.—

8 (1) Subsection (c) of section 2504 of the 1986
 9 Code is amended by striking “was assessed or paid”
 10 and inserting “was finally determined for purposes
 11 of this chapter”.

12 (2) Paragraph (1) of section 506(e) of the 1997
 13 Act is amended by striking “and (c)” and inserting
 14 “, (c), and (d)”.

15 **SEC. 7. AMENDMENTS RELATED TO TITLE VII OF 1997 ACT.**

16 (a) AMENDMENT RELATED TO SECTION 1400 OF
 17 1986 CODE.—Section 1400(b)(2)(B) of the 1986 Code is
 18 amended by inserting “as determined on the basis of the
 19 1990 census” after “percent”.

20 (b) AMENDMENTS RELATED TO SECTION 1400B OF
 21 1986 CODE.—

22 (1) Section 1400B(d)(2) of the 1986 Code is
 23 amended by inserting “as determined on the basis of
 24 the 1990 census” after “percent”.

1 (2) Section 1400B(b) of the 1986 Code is
2 amended by redesignating paragraphs (6) and (7) as
3 paragraphs (5) and (6), respectively.

4 (c) AMENDMENTS RELATED TO SECTION 1400C OF
5 1986 CODE.—

6 (1) Paragraph (1) of section 1400C(c) of the
7 1986 Code is amended to read as follows:

8 “(1) IN GENERAL.—The term ‘first-time home-
9 buyer’ means any individual if such individual (and
10 if married, such individual’s spouse) had no present
11 ownership interest in a principal residence in the
12 District of Columbia during the 1-year period ending
13 on the date of the purchase of the principal resi-
14 dence to which this section applies.”

15 (2) Subparagraph (B) of section 1400C(e)(2) of
16 the 1986 Code is amended by inserting before the
17 period “on the date the taxpayer first occupies such
18 residence”.

19 (3) Paragraph (3) of section 1400C(e) of the
20 1986 Code is amended by striking all that follows
21 “principal residence” and inserting “on the date
22 such residence is purchased.”

23 (4) Subsection (i) of section 1400C of the 1986
24 Code is amended to read as follows:

1 “(i) APPLICATION OF SECTION.—This section shall
2 apply to property purchased after August 4, 1997, and
3 before January 1, 2001.”

4 (5) Subsection (c) of section 23 of the 1986
5 Code is amended by inserting “and section 1400C”
6 after “other than this section”.

7 (6) Subparagraph (C) of section 25(e)(1) of the
8 1986 Code is amended by striking “section 23” and
9 inserting “sections 23 and 1400C”.

10 **SEC. 8. AMENDMENTS RELATED TO TITLE IX OF 1997 ACT.**

11 (a) AMENDMENTS RELATED TO SECTION 901 OF
12 1997 ACT.—

13 (1) Section 9503(c)(7) of the 1986 Code is
14 amended by striking “resulting from the amend-
15 ments made by” and inserting “(and transfers to
16 the Mass Transit Account) resulting from the
17 amendments made by subsections (a) and (b) of sec-
18 tion 901 of”.

19 (2) Subsection (e) of section 901 of the 1997
20 Act is amended by adding at the end the following
21 new sentence: “For purposes of determining
22 amounts appropriated to the Highway Trust Fund
23 or transfers to any account, the deposits to which
24 the preceding sentence applies shall be treated as

1 made when they would have been required to be
2 made without regard to such sentence.”

3 (b) AMENDMENT RELATED TO SECTION 907 OF 1997
4 ACT.—Paragraph (2) of section 9503(e) of the 1986 Code
5 is amended by striking the last sentence and inserting the
6 following new sentence: “For purposes of the preceding
7 sentence, the term ‘mass transit portion’ means, for any
8 fuel with respect to which tax was imposed under section
9 4041 or 4081 and otherwise deposited into the Highway
10 Trust Fund, the amount determined at the rate of—

11 “(A) except as otherwise provided in this
12 sentence, 2.86 cents per gallon,

13 “(B) 1.77 cents per gallon in the case of
14 any partially exempt methanol or ethanol fuel
15 (as defined in section 4041(m)) none of the al-
16 cohol in which consists of ethanol,

17 “(C) 1.86 cents per gallon in the case of
18 liquefied natural gas,

19 “(D) 2.13 cents per gallon in the case of
20 liquefied petroleum gas, and

21 “(E) 9.71 cents per MCF (determined at
22 standard temperature and pressure) in the case
23 of compressed natural gas.”

24 (c) AMENDMENT RELATED TO SECTION 976 OF 1997
25 ACT.—Section 6103(d)(5) of the 1986 Code is amended

1 by striking “section 967 of the Taxpayer Relief Act of
 2 1997.” and inserting “section 976 of the Taxpayer Relief
 3 Act of 1997. Subsections (a)(2) and (p)(4) and sections
 4 7213 and 7213A shall not apply with respect to disclo-
 5 sures or inspections made pursuant to this paragraph.”

6 **SEC. 9. AMENDMENTS RELATED TO TITLE X OF 1997 ACT.**

7 (a) AMENDMENTS RELATED TO SECTION 1001 OF
 8 1997 ACT.—

9 (1) Paragraph (2) of section 1259(b) of the
 10 1986 Code is amended—

11 (A) by striking “debt” each place it ap-
 12 pears in clauses (i) and (ii) of subparagraph
 13 (A) and inserting “position”,

14 (B) by striking “and” at the end of sub-
 15 paragraph (A), and

16 (C) by redesignating subparagraph (B) as
 17 subparagraph (C) and by inserting after sub-
 18 paragraph (A) the following new subparagraph:

19 “(B) any hedge with respect to a position
 20 described in subparagraph (A), and”.

21 (2) Section 1259(d)(1) of the 1986 Code is
 22 amended by inserting “(including cash)” after
 23 “property”.

24 (3) Subparagraph (D) of section 475(f)(1) of
 25 the 1986 Code is amended by adding at the end the

1 following new sentence: “Subsection (d)(3) shall not
2 apply under the preceding sentence for purposes of
3 applying sections 1402 and 7704.”

4 (4) Subparagraph (C) of section 1001(d)(3) of
5 the 1997 Act is amended by striking “within the 30-
6 day period beginning on” and inserting “before the
7 close of the 30th day after”.

8 (b) AMENDMENTS RELATED TO SECTION 1012 OF
9 1997 Act.—

10 (1) Paragraph (1) of section 1012(d) of the
11 1997 Act is amended by striking “1997, pursuant”
12 and inserting “1997; except that the amendment
13 made by subsection (a) shall apply to such distribu-
14 tions only if pursuant”.

15 (2) Subparagraph (A) of section 355(e)(3) of
16 the 1986 Code is amended—

17 (A) by striking “shall not be treated as de-
18 scribed in” and inserting “shall not be taken
19 into account in applying”, and

20 (B) by striking clause (iv) and inserting
21 the following new clause:

22 “(iv) The acquisition of stock in the
23 distributing corporation or any controlled
24 corporation to the extent that the percent-
25 age of stock owned directly or indirectly in

1 such corporation by each person owning
2 stock in such corporation immediately be-
3 fore the acquisition does not decrease.”

4 (c) AMENDMENTS RELATED TO SECTION 1014 OF
5 1997 ACT.—

6 (1) Paragraph (1) of section 351(g) of the 1986
7 Code is amended by adding “and” at the end of sub-
8 paragraph (A) and by striking subparagraphs (B)
9 and (C) and inserting the following new subpara-
10 graph:

11 “(B) if (and only if) the transferor receives
12 stock other than nonqualified preferred stock—

13 “(i) subsection (b) shall apply to such
14 transferor, and

15 “(ii) such nonqualified preferred stock
16 shall be treated as other property for pur-
17 poses of applying subsection (b).”

18 (2) Clause (ii) of section 354(a)(2)(C) of 1986
19 Code is amended by adding at the end the following
20 new subclause:

21 “(III) EXTENSION OF STATUTE
22 OF LIMITATIONS.—The statutory pe-
23 riod for the assessment of any defi-
24 ciency attributable to a corporation
25 failing to be a family-owned corpora-

1 tion shall not expire before the expira-
2 tion of 3 years after the date the Sec-
3 retary is notified by the corporation
4 (in such manner as the Secretary may
5 prescribe) of such failure, and such
6 deficiency may be assessed before the
7 expiration of such 3-year period not-
8 withstanding the provisions of any
9 other law or rule of law which would
10 otherwise prevent such assessment.”

11 (d) AMENDMENT RELATED TO SECTION 1024 OF
12 1997 ACT.—Section 6331(h)(1) of the 1986 Code is
13 amended by striking “The effect of a levy” and inserting
14 “If the Secretary approves a levy under this subsection,
15 the effect of such levy”.

16 (e) AMENDMENTS RELATED TO SECTION 1031 OF
17 1997 ACT.—

18 (1) Subsection (l) of section 4041 of the 1986
19 Code is amended by striking “subsection (e) or (f)”
20 and inserting “subsection (f) or (g)”.

21 (2) Subsection (b) of section 9502 of the 1986
22 Code is amended by moving the sentence added at
23 the end of paragraph (1) to the end of such sub-
24 section.

1 (3) Section 6421(f)(2) of the 1986 Code is
2 amended by adding at the end the following flush
3 sentence:

4 “Subparagraph (B) shall not apply to fuel used as
5 supplies for vessels or aircraft (as defined in section
6 4221(d)(3)) on flight segments outside the United
7 States or beginning in the United States and ending
8 outside the United States.”

9 (f) AMENDMENTS RELATED TO SECTION 1032 OF
10 1997 ACT.—

11 (1) Section 1032(a) of the 1997 Act is amended
12 by striking “Subsection (a) of section 4083” and in-
13 serting “Paragraph (1) of section 4083(a)”.

14 (2) Section 1032(e)(12)(A) of the 1997 Act
15 shall be applied as if “gasoline, diesel fuel,” were the
16 material proposed to be stricken.

17 (3) Paragraph (1) of section 4101(e) of the
18 1986 Code is amended by striking “dyed diesel fuel
19 and kerosene” and inserting “such fuel in a dyed
20 form”.

21 (g) AMENDMENT RELATED TO SECTION 1055 OF
22 1997 ACT.—Section 6611(g)(1) of the 1986 Code is
23 amended by striking “(e), and (h)” and inserting “and
24 (e)”.

1 (h) AMENDMENT RELATED TO SECTION 1083 OF
 2 1997 ACT.—Section 1083(a)(2) of the 1997 Act is amend-
 3 ed—

4 (1) by striking “21” and inserting “20”, and
 5 (2) by striking “22” and inserting “21”.

6 (i) AMENDMENT RELATED TO SECTION 1084 OF
 7 1997 ACT.—

8 (1) Paragraph (3) of section 264(a) of the 1986
 9 Code is amended by striking “subsection (c)” and
 10 inserting “subsection (d)”.

11 (2) Paragraph (4) of section 264(a) of the 1986
 12 Code is amended by striking “subsection (d)” and
 13 inserting “subsection (e)”.

14 (3) Paragraph (4) of section 264(f) of the 1986
 15 Code is amended by adding at the end the following
 16 new subparagraph:

17 “(E) MASTER CONTRACTS.—If coverage
 18 for each insured under a master contract is
 19 treated as a separate contract for purposes of
 20 sections 817(h), 7702, and 7702A, coverage for
 21 each such insured shall be treated as a separate
 22 contract for purposes of subparagraph (A). For
 23 purposes of the preceding sentence, the term
 24 ‘master contract’ shall not include any group

1 life insurance contract (as defined in section
2 848(e)(2)).”

3 (4)(A) Clause (iv) of section 264(f)(5)(A) of the
4 1986 Code is amended by striking the second sen-
5 tence.

6 (B) Subparagraph (B) of section 6724(d)(1) of
7 the 1986 Code is amended by striking “or” at the
8 end of clause (xv), by striking the period at the end
9 of clause (xvi) and inserting “, or”, and by adding
10 at the end the following new clause:

11 “(xvii) section 264(f)(5)(A)(iv) (relat-
12 ing to reporting with respect to certain life
13 insurance and annuity contracts).”

14 (C) Paragraph (2) of section 6724(d) of the
15 1986 Code is amended by striking “or” at the end
16 of subparagraph (Y), by striking the period at the
17 end of subparagraph (Z) and inserting “or”, and by
18 adding at the end the following new subparagraph:

19 “(AA) section 264(f)(5)(A)(iv) (relating to
20 reporting with respect to certain life insurance
21 and annuity contracts).”

22 (j) AMENDMENT RELATED TO SECTION 1085 OF
23 1997 ACT.—Paragraph (5) of section 32(c) of the 1986
24 Code is amended—

1 (1) by inserting before the period at the end of
2 subparagraph (A) “and increased by the amounts
3 described in subparagraph (C)”,

4 (2) by adding “or” at the end of clause (iii) of
5 subparagraph (B), and

6 (3) by striking all that follows subclause (II) of
7 subparagraph (B)(iv) and inserting the following:

8 “(III) other trades or businesses.

9 For purposes of clause (iv), there shall not
10 be taken into account items which are at-
11 tributable to a trade or business which
12 consists of the performance of services by
13 the taxpayer as an employee.

14 “(C) CERTAIN AMOUNTS INCLUDED.—An
15 amount is described in this subparagraph if it
16 is—

17 “(i) interest received or accrued dur-
18 ing the taxable year which is exempt from
19 tax imposed by this chapter, or

20 “(ii) amounts received as a pension or
21 annuity, and any distributions or payments
22 received from an individual retirement
23 plan, by the taxpayer during the taxable
24 year to the extent not included in gross in-
25 come.

1 Clause (ii) shall not include any amount which
2 is not includible in gross income by reason of
3 section 402(c), 403(a)(4), 403(b), 408(d) (3),
4 (4), or (5), or 457(e)(10).”

5 (k) AMENDMENT RELATED TO SECTION 1088 OF
6 1997 ACT.—Section 1088(b)(2)(C) of the 1997 Act is
7 amended by inserting “more than 1 year” before “after”.

8 (l) AMENDMENT RELATED TO SECTION 1089 OF
9 1997 ACT.—Paragraphs (1)(C) and (2)(C) of section
10 664(d) of the 1986 Code are each amended by adding “,
11 and” at the end.

12 **SEC. 10. AMENDMENTS RELATED TO TITLE XI OF 1997 ACT.**

13 (a) AMENDMENT RELATED TO SECTION 1103 OF
14 1997 ACT.—The paragraph (3) of section 59(a) added by
15 section 1103 of the 1997 Act is redesignated as paragraph
16 (4).

17 (b) AMENDMENT RELATED TO SECTION 1121 OF
18 1997 ACT.—Section 1298(a)(2)(B) of the 1986 Code is
19 amended by adding at the end the following new sentence:
20 “Section 1297(e) shall not apply in determining whether
21 a corporation is a passive foreign investment company for
22 purposes of this subparagraph.”

23 (c) AMENDMENT RELATED TO SECTION 1122 OF
24 1997 ACT.—Section 672(f)(3)(B) of the 1986 Code is

1 amended by striking “section 1296” and inserting “sec-
2 tion 1297”.

3 (d) AMENDMENT RELATED TO SECTION 1123 OF
4 1997 ACT.—The subsection (e) of section 1297 of the
5 1986 Code added by section 1123 of the 1997 Act is re-
6 designated as subsection (f).

7 (e) AMENDMENT RELATED TO SECTION 1144 OF
8 1997 ACT.—Paragraphs (1) and (2) of section 1144(c)
9 of the 1997 Act are each amended by striking “6038B(b)”
10 and inserting “6038B(c) (as redesignated by subsection
11 (b))”.

12 **SEC. 11. AMENDMENTS RELATED TO TITLE XII OF 1997 ACT.**

13 (a) AMENDMENT RELATED TO SECTION 1204 OF
14 1997 ACT.—The last sentence of section 162(a) of the
15 1986 Code is amended by striking “investigate” and all
16 that follows and inserting “investigate or prosecute, or
17 provide support services for the investigation or prosecu-
18 tion of, a Federal crime.”

19 (b) AMENDMENTS RELATED TO SECTION 1205 OF
20 1997 ACT.—

21 (1) Section 6311(e)(1) of the 1986 Code is
22 amended by striking “section 6103(k)(8)” and in-
23 serting “section 6103(k)(9)”.

1 (2) Paragraph (8) of section 6103(k) of the
 2 1986 Code (as added by section 1205(c)(1) of the
 3 1997 Act) is redesignated as paragraph (9).

4 (3) The heading for section 7431(g) of the
 5 1986 Code is amended by striking “(8)” and insert-
 6 ing “(9)”.

7 (4) Section 1205(c)(3) of the 1997 Act shall be
 8 applied as if it read as follows:

9 “(3) Section 6103(p)(3)(A), as amended by sec-
 10 tion 1026(b)(1)(A), is amended by striking “or (8)”
 11 and inserting “(8), or (9)”.

12 (5) Section 1213(b) of the 1997 Act is amended
 13 by striking “section 6724(d)(1)(A)” and inserting
 14 “section 6724(d)(1)”.

15 (c) AMENDMENT RELATED TO SECTION 1226 OF
 16 1997 ACT.—Section 1226 of the 1997 Act is amended by
 17 striking “ending on or” and inserting “beginning”.

18 (d) AMENDMENT RELATED TO SECTION 1285 OF
 19 1997 ACT.—Section 7430(b) of the 1986 Code is amended
 20 by redesignating paragraph (5) as paragraph (4).

21 **SEC. 12. AMENDMENTS RELATED TO TITLE XIII OF 1997**

22 **ACT.**

23 (a) Section 646 of the 1986 Code is redesignated as
 24 section 645.

1 (b) The item relating to section 646 in the table of
2 sections for subpart A of part I of subchapter J of chapter
3 1 of the 1986 Code is amended by striking “Sec. 646”
4 and inserting “Sec. 645”.

5 (c) Paragraph (1) of section 2652(b) of the 1986
6 Code is amended by striking “section 646” and inserting
7 “section 645”.

8 (d) Paragraph (3) of section 1(g) of the 1986 Code
9 is amended by striking subparagraph (C) and by redesignig-
10 nating subparagraph (D) as subparagraph (C).

11 (e) Section 641 of the 1986 Code is amended by
12 striking subsection (c) and by redesignating subsection (d)
13 as subsection (c).

14 (f) Paragraph (4) of section 1361(e) of the 1986
15 Code is amended by striking “section 641(d)” and insert-
16 ing “section 641(c)”.

17 (g) Subparagraph (A) of section 6103(e)(1) of the
18 1986 Code is amended by striking clause (ii) and by redes-
19 ignating clauses (iii) and (iv) as clauses (ii) and (iii), re-
20 spectively.

21 **SEC. 13. AMENDMENTS RELATED TO TITLE XIV OF 1997**

22 **ACT.**

23 (a) AMENDMENT RELATED TO SECTION 1434 OF
24 1997 ACT.—Paragraph (2) of section 4052(f) of the 1986

1 Code is amended by striking “this section” and inserting
 2 “such section”.

3 (b) AMENDMENT RELATED TO SECTION 1436 OF
 4 1997 ACT.—Paragraph (2) of section 4091(a) of the 1986
 5 Code is amended by inserting “or on which tax has been
 6 credited or refunded” after “such paragraph”.

7 **SEC. 14. AMENDMENTS RELATED TO TITLE XV OF 1997 ACT.**

8 (a) AMENDMENT RELATED TO SECTION 1501 OF
 9 1997 ACT.—The paragraph (8) of section 408(p) of the
 10 1986 Code added by section 1501(b) of the 1997 Act is
 11 redesignated as paragraph (9).

12 (b) AMENDMENT RELATED TO SECTION 1505 OF
 13 1997 ACT.—Section 1505(d)(2) of the 1997 Act is amend-
 14 ed by striking “(b)(12)” and inserting “(b)(12)(A)(i)”.

15 (c) AMENDMENT RELATED TO SECTION 1531 OF
 16 1997 ACT.—Subsection (f) of section 9811 of the 1986
 17 Code (as added by section 1531 of the 1997 Act) is redes-
 18 ignated as subsection (e).

19 **SEC. 15. AMENDMENTS RELATED TO TITLE XVI.**

20 (a) AMENDMENTS RELATED TO SECTION 1601(d) OF
 21 1997 ACT.—

22 (1) AMENDMENTS RELATED TO SECTION
 23 1601(d)(1)—

1 (A) Section 408(p)(2)(D)(i) of the 1986
2 Code is amended by striking “or (B)” in the
3 last sentence.

4 (B) Section 408(p) of the 1986 Code is
5 amended by adding at the end the following:

6 “(10) SPECIAL RULES FOR ACQUISITIONS, DIS-
7 POSITIONS, AND SIMILAR TRANSACTIONS.—

8 “(A) IN GENERAL.—An employer which
9 fails to meet any applicable requirement by rea-
10 son of an acquisition, disposition, or similar
11 transaction shall not be treated as failing to
12 meet such requirement during the transition pe-
13 riod if—

14 “(i) the employer satisfies require-
15 ments similar to the requirements of sec-
16 tion 410(b)(6)(C)(i)(II), and

17 “(ii) the qualified salary reduction ar-
18 rangement maintained by the employer
19 would satisfy the requirements of this sub-
20 section after the transaction if the em-
21 ployer which maintained the arrangement
22 before the transaction had remained a sep-
23 arate employer.

1 “(B) APPLICABLE REQUIREMENT.—For
2 purposes of this paragraph, the term ‘applicable
3 requirement’ means—

4 “(i) the requirement under paragraph
5 (2)(A)(i) that an employer be an eligible
6 employer,

7 “(ii) the requirement under paragraph
8 (2)(D) that an arrangement be the only
9 plan of an employer, and

10 “(iii) the participation requirements
11 under paragraph (4).

12 “(C) TRANSITION PERIOD.—For purposes
13 of this paragraph, the term ‘transition period’
14 means the period beginning on the date of any
15 transaction described in subparagraph (A) and
16 ending on the last day of the second calendar
17 year following the calendar year in which such
18 transaction occurs.”

19 (C) Section 408(p)(2) of the 1986 Code is
20 amended—

21 (i) by striking “the preceding sentence
22 shall apply only in accordance with rules
23 similar to the rules of section
24 410(b)(6)(C)(i)” in the last sentence of

1 subparagraph (C)(i)(II) and inserting “the
 2 preceding sentence shall not apply”, and
 3 (ii) by striking clause (iii) of subpara-
 4 graph (D).

5 (2) AMENDMENT TO SECTION 1601(d)(4).—Sec-
 6 tion 1601(d)(4)(A) of the 1997 Act is amended—

7 (A) by striking “Section 403(b)(11)” and
 8 inserting “Paragraphs (7)(A)(ii) and (11) of
 9 section 403(b)”, and

10 (B) by striking “403(b)(1)” in clause (ii)
 11 and inserting “403(b)(10)”.

12 (b) AMENDMENT RELATED TO SECTION 1601(f)(4)
 13 OF 1997 ACT.—Subsection (d) of section 6427 of the
 14 1986 Code is amended—

15 (1) by striking “HELICOPTERS” in the heading
 16 and inserting “OTHER AIRCRAFT USES”, and

17 (2) by inserting “or a fixed-wing aircraft” after
 18 “helicopter”.

19 **SEC. 16. AMENDMENT RELATED TO OMNIBUS BUDGET REC-**
 20 **ONCILIATION ACT OF 1993.**

21 (a) IN GENERAL.—Section 196(c) of the 1986 Code
 22 is amended by striking “and” at the end of paragraph (6),
 23 by striking the period at the end of paragraph (7), and
 24 insert “, and”, and by adding at the end the following
 25 new paragraph:

1 “(8) the employer social security credit deter-
2 mined under section 45B(a).”

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall take effect as if included in the amend-
5 ments made by section 13443 of the Revenue Reconcili-
6 ation Act of 1993.

7 **SEC. 17. AMENDMENT RELATED TO TAX REFORM ACT OF**
8 **1984.**

9 (a) IN GENERAL.—Paragraph (3) of section 136(c)
10 of the Tax Reform Act of 1984 is amended by adding at
11 the end the following flush sentence:

12 “The treatment under the preceding sentence shall
13 apply to each period after June 30, 1983, during
14 which such members are stapled entities, whether or
15 not such members are stapled entities for all periods
16 after June 30, 1983.”

17 (b) EFFECTIVE DATE.—The amendment made by
18 subsection (a) shall take effect as if included in the Tax
19 Reform Act of 1984 as of the date of the enactment of
20 such Act.

21 **SEC. 18. AMENDMENT RELATED TO TAX REFORM ACT OF**
22 **1986.**

23 (a) IN GENERAL.—Section 6401(b)(1) of the 1986
24 Code is amended by striking “and D” and inserting “D,
25 and G”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall take effect as if included in the
3 amendments made by section 701(b) of the Tax Reform
4 Act of 1986.

5 **SEC. 19. MISCELLANEOUS CLERICAL AND DEADWOOD**
6 **CHANGES.**

7 (a)(1) Section 6421 of the 1986 Code is amended by
8 redesignating subsections (j) and (k) as subsections (i)
9 and (j), respectively.

10 (2) Subsection (b) of section 34 of the 1986 Code
11 is amended by striking “section 6421(j)” and inserting
12 “section 6421(i)”.

13 (b) Sections 4092(b) and 6427(q)(2) of the 1986
14 Code are each amended by striking “section 4041(c)(4)”
15 and inserting “section 4041(c)(2)”.

16 (c) Sections 4221(c) and 4222(d) of the 1986 Code
17 are each amended by striking “4053(a)(6)” and inserting
18 “4053(6)”.

19 (d) Paragraph (5) of section 6416(b) of the 1986
20 Code is amended by striking “section 4216(e)(1)” each
21 place it appears and inserting “section 4216(d)(1)”.

22 (e) Paragraph (3) of section 6427(f) of the 1986
23 Code is amended by striking “, (e),”.

24 (f)(1) Section 6427 of the 1986 Code, as amended
25 by paragraph (2), is amended by redesignating subsections

1 (n), (p), (q), and (r) as subsections (m), (n), (o), and (p),
2 respectively.

3 (2) Paragraphs (1) and (2)(A) of section 6427(i) of
4 the 1986 Code are each amended by striking “(q)” and
5 inserting “(o)”.

6 (g) Subsection (e) of section 9502 of the 1986 Code
7 is amended to read as follows:

8 “(e) CERTAIN TAXES ON ALCOHOL MIXTURES TO
9 REMAIN IN GENERAL FUND.—For purposes of this sec-
10 tion, the amounts which would (but for this subsection)
11 be required to be appropriated under subparagraphs (A),
12 (C), and (D) of subsection (b)(1) shall be reduced by—

13 “(1) 0.6 cent per gallon in the case of taxes im-
14 posed on any mixture at least 10 percent of which
15 is alcohol (as defined in section 4081(c)(3)) if any
16 portion of such alcohol is ethanol, and

17 “(2) 0.67 cent per gallon in the case of fuel
18 used in producing a mixture described in paragraph
19 (1).”

20 (h)(1) Clause (i) of section 9503(c)(2)(A) of the 1986
21 Code is amended by adding “and” at the end of subclause
22 (II), by striking subclause (III), and by redesignating sub-
23 clause (IV) as subclause (III).

1 (2) Clause (ii) of such section is amended by striking
2 “gasoline, special fuels, and lubricating oil” each place it
3 appears and inserting “fuel”.

4 (i) The amendments made by this section shall take
5 effect on the date of the enactment of this Act.

6 **SEC. 20. EFFECTIVE DATE.**

7 Except as otherwise provided in this Act, the amend-
8 ments made by this Act shall take effect as if included
9 in the provisions of the Taxpayer Relief Act of 1997 to
10 which they relate.

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